

## Message Text

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ACTION L-03

INFO OCT-01 EUR-12 NEA-10 ISO-00 SS-15 SP-02 NSC-05 EB-07  
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R 061856Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3898

INFO AMEMBASSY DAMASCUS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 20547

E.O. 11652: GDS

TAGS: PFOR, EFIN, EINV, SY, GW, US

SUBJECT: U.S. PRIVATE AND OFFICIAL CLAIMS AGAINST  
SARG -- TEXACO

REF: STATE 293942

1. SUMMARY. IN DISCUSSION WITH EMBOFFS, GERMAN  
TEXACO REPS EXPRESSED HOPE THAT U.S., AS GOVERNMENT  
BEHIND REAL PARTY IN INTEREST (U.S. TEXACO), COULD  
SUPPORT CONCORDIA'S PURSUIT OF ITS PRIVATE CLAIM AND  
ESPOUSE INTERNATIONAL CLAIM AGAINST SARG, IF NECESSARY.  
THEY EXPRESSED BELIEF THAT FRG GOVERNMENT COULD BE  
MOVED TO PLAY THIS ROLE SHOULD USG CONSIDER SELF IN NO  
LEGAL POSITION TO DO SO, BUT EXPRESSED HOPE THAT USG IN  
THIS EVENT WOULD ENSURE THAT SARG REMAINS AWARE OF USG  
INTEREST ON BEHALF OF U.S. TEXACO, THE REAL PARTY IN  
INTEREST. END SUMMARY.

2. EMBOFFS (PFUND AND NELSEN) AND REPS OF GERMAN  
TEXACO MET DECEMBER 3. GERMAN TEXACO REPRESENTED BY  
PROF. GABRIELZWHO HEADS BONN TEXACO OFFICE AND CONTINUES  
TO BE DIRECTOR OF SOCIETE DES PETROLES CONCORDIA S.A.R.G.  
IN SYRIA, AND DR. HANS LUEHRS, CORPORATE ATTORNEY AND A  
DIRECTOR OF GERMAN TEXACO.

3. GABRIEL INDICATED THAT CONCORDIA, A VIRTUALLY  
100 PERCENT ERDOL CONTROLLED SYRIAN CORPORATION, HAD  
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BEEN GRANTED RIGHTS IN 1965 TO EXPLORE FOR OIL AND

GAS IN SYRIA AND AFTER CONSIDERABLE INVESTMENT IN EQUIPMENT, HAD UNDERTAKEN PARTIY SUCCESSFUL EXPLORATORY DRIIING, IN EXPECTATION THAT SUCCESSFUL DRILLING WOULD RESULT IN PROFITABLE ARRANGEMENT FOR PERMISSION TO EXTRACT OIL FOUND.

4. BY SYRIAN GOVERNMENT LEGISLATIVE DECREE NO. 133, ISSUED DECEMBER 22, 1964, THEN SYRIAN GOVERNMENT HAD PROHIBITED THE GRANTING OF CONCESSIONS FOR EXPLOITATION OF MINERAL AND PETROLEUM DEPOSITS. AS RESULT, THE FOILOWING DAY THE THEN MINISTER OF INDUSTRY HAD INFORMED CONCORDIA BY LETTER OF IEGISLATIVE DECREE AND STATED THAT CONTINUATION OF PREVIOUS NEGOTIATIONS ON EXPLOITATION WERE NO LONGER USEFUL AS IT HAD BECOME DUTY OF THE STATE ITSELF TO EXPLOIT MINERAL AND PETROLEUM DEPOSITS. LETTER HAD INDICATED THAT "STATE WILL COMPENSATE YOU WITH (SIC) THE VARIOUS EFFECTIVE EXPENSES YOU HAVE INCURRED FOR RESEARCH, EXPLORATION AND DISCOVERY OF PETROLEUM IN THE SOUEDI FIELD IN COMPLIANCE WITH THE REGULATIONS FOLLOWED IN SIMILAR CASES."

5. ISSUE THEREUPON HAD BECOME WHETHER COMPENSATION FOR EXPENSES ONLY WAS ADEQUATE MEASURE OF COMPENSATION, AS OPPOSED TO COMPENSATION FOR EXPENSES PLUS LOSS OF EXPECTED INCOME FROM EXPECTED PERMISSION FOR EXPLOITATION OF PETROLEUM DEPOSITS FOUND.

6. CONCORDIA HAD, TIME AND AGAIN, NEGOTIATED WITH SUCCEEDING 16 GOVERNMENTS OF SYRIA, WITH CHANGE OF GOVERNMENT SEVERAL TIMES JUST PRECEDING CONCLUSION OF WHAT WOULD HAVE BEEN SETTLEMENT OF CONCORDIA CLAIM AGAINST SYRIAN GOVERNMENT.

7. CONCORDIA'S HOPE FOR COMPENSATION FOR MORE THAN EXPENSES WAS NOT GREAT. HOWEVER, THEY EXPECTED THAT CIAIM FOR EXPENSES WOULD BE ALMOST DOUBLED BY INCLUSION OF INTEREST ON EXPENSES AMOUNT CALCULATED FOR INTERVENING 12 YEARS.

8. EXPENSE CLAIM AMOUNTED TO 71 MILLION SYRIAN POUNDS  
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WHICH, TOGETHER WITH INTEREST AND SET-OFF FOR LOSSES DUE TO INTERVENING CHANGE IN EXCHANGE RATE (SYRIAN POUNDS TO DEUTSCH MARKS), WOULD COME TO 195 MILLION SYRIAN POUNDS OR SOMEWHAT OVER 135 MILLION DM (AT CURRENT EXCHANGE RATE: ONE SYRIAN POUND EQUALS DM 0.70.)

9. ASKED ABOUT POSSIBLE OPERATION OF SYRIAN STATUTE OF LIMITATIONS, FRG TEXACO REPS INDICATED THAT

EXPERT OPINIONS OBTAINED FROM 4 EGYPTIAN AND SYRIAN

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3899

INFO AMEMBASSY DAMASCUS

C O N F I D E N T I A L SECTION 02 OF 03 BONN 20547

LEGAL EXPERTS ALL AGREED THAT FIFTEEN-YEAR STATUTE OF  
LIMITATIONS INVOLVED HERE MEANS THAT LATE 1979 IS  
PROBABLY CUTOFF DATE FOR PURSUIT OF PRIVATE CLAIM UNDER  
SYRIAN LAW.

10. FRG TEXACO REPS BELIEVED THAT IN PRINCIPLE, AS  
EVIDENCED BY REPEATED NEGOTIATIONS WITH VARIOUS SYRIAN  
GOVERNMENTS, THERE HAD BEEN RECOGNITION BY ALL THOSE  
GOVERNMENTS THAT CONCORDIA HAD A VALID CLAIM. WRITING  
OF DECEMBER 23, 1964 HAD RECOGNIZED OBLIGATION TO  
COMPENSATE FOR "THE VARIOUS EFFECTIVE EXPENSES YOU HAVE  
INCURRED FOR RESEARCH, EXPLORATION AND DISCOVERY. . ."

11. WHILE FRG TEXACO REPS HAD INDICATED THAT RE  
INTERNATIONAL CLAIM ASPECT, NATIONALITY OF REAL PARTY  
IN INTEREST (RPI) (STOCKHOLDERS OF U.S. TEXACO) SHOULD  
DETERMINE WHAT COUNTRY COULD CLAIM AGAINST SARG, THEY  
RECOGNIZED THAT DECISIVE FACTOR WOULD BE WHETHER THIS  
MEANT RPI NOW OR AS OF DECEMBER 1964. THEY STATED  
THAT THE REASON FOR THEIR VISIT, AT U.S. TEXACO  
INSTRUCTIONS, WAS TO CLARIFY WHETHER FRG GOVERNMENT  
WOULD BE PREPARED TO HAVE USG TAKE MATTER UP WITH SARG.

12. THEY INDICATED THAT THE FRG GOVERNMENT HAD NO DIPLOMATIC RELATIONS WITH SARG UNTIL TWO YEARS AGO. UNTIL BREAK IN FRG/SYRIAN RELATIONS, FRG AMBASSADOR HAD  
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ONLY PASSIVELY MADE KNOWN FRG INTEREST IN SATISFACTORY AGREEMENT BETWEEN CONCORDIA AND SYRIAN GOVERNMENT. UPON ESTABLISHMENT OF FRG/SARG DIPLOMATIC RELATIONS APPROXIMATELY TWO YEARS AGO, INITIALLY ONLY POLITICAL MATTERS WERE TAKEN UP, AND ECONOMIC MATTERS WERE NOT DISCUSSED. TIME WAS APPROACHING WHEN ECONOMIC MATTERS WOULD BE RAISED. THEY SPECULATED, HOWEVER, THAT FRG GOVERNMENT, WHILE INTERESTED IN CONCORDIA CLAIM, WOULD BE VERY CAUTIOUS AND MIGHT NOT WISH TO BURDEN ITS POLITICAL RELATIONS WITH SARG UNDULY BY TAKING UP CONCORDIA CLAIM.

13. EMBOFF SPECULATED ON A PERSONAL BASIS AND DISCLAIMING KNOWLEDGE OF LIKELY VIEWS OF USG, THAT WHILE U.S. TEXACO, I.E. U.S. NATIONAL, WAS NOW FINAL RPI, IN ALL PROBABILITY ONLY FRG GOVERNMENT HAD LEGAL STATUS VIS-A-VIS SARG IN VIEW OF THE FACT THAT AT TIME OF DECREE PRECLUDING FOREIGN MINERAL EXPLOITATION IN SYRIA, EXPECTATIONS OF GERMAN-OWNED SYRIAN FIRM (CONCORDIA) WERE AFFECTED. EMBOFF SPECULATED FURTHER THAT U.S. DIPLOMATIC RELATIONS WITH SARG HAD BEEN REESTABLISHED EVEN MORE RECENTLY THAN FRG DIPLOMATIC RELATIONS, AND IN VIEW OF U.S. INVOLVEMENT AND OVERRIDING INTEREST IN MIDDLE EAST SETTLEMENT, USG RELUCTANCE TO BURDEN ITS POLITICAL RELATIONS WITH SARG MIGHT BE CONSIDERABLY GREATER THAN THOSE OF FRG GOVERNMENT MENTIONED BY FRG TEXACO REPS.

14. FRG TEXACO REPS ACKNOWLEDGED AWARENESS OF POSSIBLE PROBLEM RE USG LEGAL STANDING VIS-A-VIS SARG. IN RESPONSE TO QUESTION WHETHER TEXACO REPS THOUGHT FRG GOVERNMENT WAS PREPARED TO TAKE MATTER UP WITH SARG IF USG CANNOT EFFECTIVELY PURSUE MATTER, FRG TEXACO REPS SAID FRG GOVERNMENT WAS PROBABLY PREPARED TO DO SO. IN FACT, THEY SAID, OFFICIALS AT FRG ECONOMICS MINISTRY HAD GIVEN IMPRESSION THAT THEY INTENDED TO TAKE THE MATTER UP. THEY INDICATED THAT VISIT BY (MINISTER) PRESIDENT OF SYRIA (HEIDAR-PHONETIC) HAD BEEN PLANNED, THEN POSTPONED, AND THAT HE WAS NOW OUT OF OFFICE. HIS SUCCESSOR HAD APPARENTLY NOW BEEN INVITED, AND IF HE CAME, THEY BELIEVED MATTER  
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WOULD BE DISCUSSED. COMMENT: WHIE THIS IS PROBABLY THE BELIEF OF ECONOMICS MINISTRY OFFICIALS, WE DOUBT THAT GOVERNMENT POSITION, WHICH WOULD INVOLVE INPUT OF FONOFF AND PERHAPS OTHER MINISTRIES, HAS BEEN FORMULATED YET. END COMMENT.

15. IN RESPONSE TO EMBOFF PROBING CONCERNING POSSIBLE PAST ACTIONS, IF ANY, ON PART OF FRG GOVERNMENT TO INDUCE SYRIAN GOVERNMENT TO CONCLUDE SATISFACTORY SETTLEMENT, GABRIEL RECALIED THAT AT ONE TIME THEN ECONOMIC COOPERATION MINISTER SCHEEL, IN CONNECTION WITH FRG GOVERNMENT INVOLVEMENT IN 300 MILLION DM ASSISTANCE FOR TABGA DAM ON EUPHRATES RIVER, HAD EXPRESSED FRG GOVERNMENT EXPECTATION THAT CONCORDIA CLAIM WOULD BE SATISFACTORILY SETTLED. UNFORTUNATELY, SYRIAN GOVERNMENT CHANGED SHORTLY THEREAFTER.

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FM AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 20547

16. FRG TEXACO REPS LEFT SEVERAI PAPERS WITH EMBOFFS, AND ONE SET WILL BE POUCHED TO KWIATEK, L/C BY DS-4. THEY STATED THAT FRG TEXACO HAD BEEN ASKED ONCE AGAIN BY U.S. TEXACO TO FURNISH DETAILED ACCOUNT OF THIS MATTER, PROBABLY FOR AN APPROACH BY U.S. TEXACO VIS-A-

VIS USG.

17. FYI. GABRIEL PARENTHETICALLY INDICATED THAT THERE WAS NOTHING IN THIS CLAIM FOR FRG TEXACO, AS HALF OF ANY AMOUNT RECOVERED BY FRG TEXACO WOULD GO TO FRG GOVERNMENT IN TAXES, AND OTHER HALF WOULD BE CONVEYED TO U.S. TEXACO. END FYI.

18. ACTION REQUESTED. SHOULD DEPARTMENT RECOMMEND APPROACH TO FRG, EMBASSY WILL DISCUSS MATTER WITH ECONOMICS MINISTRY AND FONOFF OFFICIALS, AS SUGGESTED BY FRG TEXACO REPS, IN EFFORT BETTER TO UNDERSTAND CURRENT FRG GOVERNMENT THINKING CONCERNING THIS CLAIM. WE CAN EXPECT FRG TO BE EQUALLY INTERESTED IN USG THINKING ON THIS MATTER AND AT SOME POINT FURTHER GUIDANCE CONCERNING USG POSITION AND EXTENT TO WHICH GERMAN GOVERNMENT OFFICIALS MAY BE INFORMED OF STATUS OF OUR THINKING MAY BE NEEDED.  
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